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State Dept. review completed

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2. SUEZ DEVELOPMENTS

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The nationalization of the Suez Canal has gained more support for Nasr within Egypt than any previous step he has taken, according to the American embassy in Cairo. Expressions of strong support for the action have come not only from street demonstrators but from some professional and business leaders who have been critical of the regime.

Despite this general support, however, the embassy notes that the business community in Cairo is becoming concerned about the effects of Western retaliatory economic measures. [redacted]

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[redacted] military measures for the defense of Alexandria, begun on 29 July, include placing machine guns and antiaircraft batteries with radar in the harbor area.

The American embassy in Colombo believes that a statement on 30 July by Prime Minister Bandaranaike and alleged Indian government interest in participating in any discussions regarding the Suez problem suggest these countries might favor a wider internationalization of the canal including the most interested Asian nations. [redacted]

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3. GREECE AND YUGOSLAVIA HINT AT DISSOLUTION OF BALKAN ALLIANCE

[Redacted]

Greece and Yugoslavia agree that the Balkan alliance cannot continue many more weeks in its present inactivity, according to Greek foreign minister

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[Redacted] Averoff. Averoff said that Yugoslav president Tito and Greek officials concluded at Corfu that, if the situation remains unchanged, it would be preferable for their two countries to reach a "bilateral understanding." Averoff reaffirmed Greece's firm attachment to the West and said such an arrangement would provide the West with a useful link with Yugoslavia.

Comment

The Balkan alliance has been ineffective for the past year, owing primarily to Greek-Turkish animosities aroused by the Cyprus dispute and anti-Greek riots in Istanbul last September.

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**4. INDONESIAN NATIONAL PARTY ELECTS
MODERATE LEADERSHIP**

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The election of Suwirjo as chairman of the Indonesian National Party, which heads the coalition cabinet, appears to reflect the moderation recently voiced by President Sukarno. The National Party, with which Sukarno has been closely identified, has been dominated for several years by its left wing, which has advocated co-operation with the Communists. The moderates, led by Suwirjo, have frequently expressed alarm over growing Communist strength.

The National Party council advised party members on 1 August to "act wisely and withdraw" from the Communist-dominated All-Indonesian People's Congress. The National Party itself withdrew from the congress in June 1955.

Sukarno stated in his closing address to the convention that he wanted to see more than one party in Indonesia. He then named Indonesia's principal parties, omitting the Communist Party.

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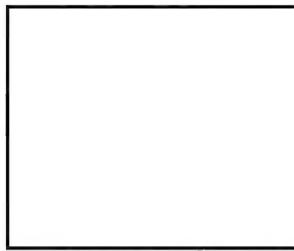
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5. ATTEMPTED REVOLT IN HONDURAS

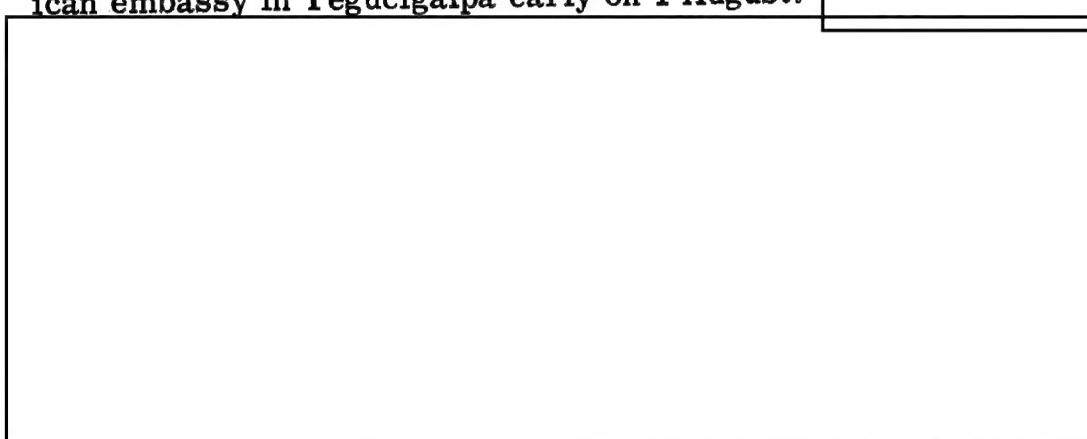
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The Honduran government appears in control of the situation following police and army action against rebels who attacked an army barracks near the American embassy in Tegucigalpa early on 1 August.

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Political tension in the country has been mounting in anticipation of constituent assembly elections which Lozano has announced would be held on 7 October or earlier unless public disturbances forced a postponement. Lozano failed to attend the meeting of presidents in Panama because of unsettled conditions in his country.

The Liberal Party, with Villeda as its presidential candidate, won a plurality in the nullified 1954 elections. Villeda, who heads the Communist-influenced faction of the party, was exiled by Lozano on 9 July.

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**6. PROLONGED ASSEMBLY CRISIS POSSIBLE IN
SOUTH KOREA**

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The attempt of South Korea's Public Security Bureau to serve summons on four opposition assemblymen is the latest move in what may become a prolonged political crisis. Tension continues in the assembly, and legislative activity has been at a standstill since 27 July, when opposition assemblymen clashed with police in demonstrations protesting the administration's harassment of opposition candidates for local office.

The four assemblymen are expected to ignore the police summons, and attempts to detain them forcibly would probably meet with considerable resistance. Antiadministration groups in the assembly have been joined by about 30 Liberals in demanding the release of an assemblyman jailed following the demonstrations on 27 July, and opposition assemblymen have stated their willingness to stimulate popular demonstrations "even at the cost of bloodshed" if their demands are not met.

An opposition legislator who conferred with Rhee on 31 July has stated that he was probably the first person to apprise Rhee of the gravity of the situation in the assembly. The speaker of the assembly, Yi Ki-pung, has stated that the minister of interior appears to be acting with a free hand.

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**8. TURKS CONVINCED AFGHAN PREMIER MUST BE
OUSTED OR FORCED TO CHANGE POLICY**

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Turkish officials concluded during Prime Minister Menderes' visit to Kabul between 27 and 30 July that Afghan premier Daud must be ousted or compelled to change his policy.

Secretary General Birgi of the Turkish Foreign Ministry, who accompanied Menderes on the visit, based this conclusion on Daud's rejection of Menderes' suggestions for modification of Kabul's Pushtoonistan campaign against Pakistan and the Afghan premier's disregard of Turkish warnings against Soviet penetration. Daud's apparent rejection of a Turkish offer of military assistance probably also alienated Menderes and his party.

The Turks, on the other hand, were favorably impressed with King Zahir Shah, Foreign Minister Naim, and ex-prime minister Shah Mahmud. Menderes believes he was able to convince the king of the dangers of Soviet penetration.

Turkish-Afghan relations are traditionally close. If Menderes is convinced of the dangers of Daud's policies, Ankara may in the future become more interested in consorting with Pakistan and Iran to bring about a change in the Afghan government.

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